

Gas Plant Instructions

1. Classification of utilities (Major natural gas companies).

A. The gas plant accounts provided herein are generally the same as those contained in the prior system of accounts. The balances in the various plant accounts, as determined under the prior system of accounts, should be carried forward. Any remaining balance of plant which has not yet been classified pursuant to the requirements of the prior system, shall be classified in accordance with the following instructions.

B. The cost to the utility of its unclassified plant shall be ascertained by analysis of the utility's records. Adjustments shall not be made to record in utility plant accounts amounts previously charged to operating expenses or to income deductions in accordance with the uniform system of accounts in effect at the time or in accordance with the discretion of management as exercised under a uniform system of accounts, or under accounting practices previously followed.

C. The detailed gas plant accounts (301 to 399, inclusive) shall be stated on the basis of cost to the utility of plant constructed by it and the original cost, estimated if not known, of plant acquired as an operating unit or system. The difference between the original cost as above, and the cost to the utility of gas plant after giving effect to any accumulated provision for depreciation, depletion, or amortization shall be recorded in account 114, Gas Plant Acquisition Adjustments. The original cost of gas plant shall be determined by analysis of the utility's records or those of the predecessor or vendor companies with respect to gas plant previously acquired as operating units or systems and the differences between the original cost so determined, less accumulated provisions for depreciation, depletion and amortization, and the cost to the utility, with necessary adjustments for retirements from the date of acquisition, shall be entered in account 114, Gas Plant Acquisition Adjustments. Any difference between the cost of gas plant and its book cost, when not properly includible in other accounts, shall be recorded in account 116, Other Gas Plant Adjustments.

D. Plant acquired by lease which qualifies as capital lease property under General Instruction 19. Criteria for Classifying Leases, shall be recorded in Account 101.1, Property under Capital Leases.

2. Gas plant to be recorded at cost.

A. All amounts included in the accounts for gas plant acquired as an operating unit or system, except as otherwise provided in the texts of the intangible plant accounts, shall be stated at the cost incurred by the person who first devoted the property to utility service. All other gas plant shall be included in the accounts at the cost incurred by the utility, except for property acquired by lease which qualifies as capital lease property under General Instruction 19. Criteria for Classifying Leases, and is recorded in Account 101.1, Property under Capital Leases. Where the term "cost" is used in the detailed plant accounts, it shall have the meaning stated in this paragraph.

B. When the consideration given for property is other than cash, the value of such consideration shall be determined on a cash basis. (See, however, definition 8.) In the entry recording such transaction, the actual consideration shall be described with sufficient particularity to identify it. The utility shall be prepared to furnish the Commission the particulars of its determination of the cash value of the consideration if other than cash.

C. When property is purchased under a plan involving deferred payments, no charge shall be made to the gas plant accounts for interest, insurance, or other expenditures occasioned solely by such form of payment.

D. The gas plant accounts shall not include the cost or other value of gas plant contributed to the company. Contributions in the form of money or its equivalent toward the construction of gas plant shall be credited to the accounts charged with the cost of such construction. Plant constructed from contributions of cash or its equivalent shall be shown as a reduction to gross plant constructed when assembling cost data in work orders for posting to plant ledger of accounts. The accumulated gross costs of plant accumulated in the work order shall be recorded as a debit in the plant ledger of accounts along with the related amount of contributions concurrently being recorded as a credit.

E. The cost or other value of plant contributed to the utility and contributions in the form of money or its equivalent toward the construction of gas plant recorded in accordance with the prior system of accounts under the account caption, Contributions in Aid of Construction, requires reclassification. The Contribution in Aid of Construction account has been deleted from this system of accounts. Reclassification of Contributions in Aid of Construction must be made in accordance with order 05-US-103.

3. Components of construction cost.

A. For major natural gas companies, the cost of construction properly includible in the gas plant accounts shall include, where applicable, the direct and overhead costs as listed and defined hereunder:

(1) "Contract work" includes amounts paid for work performed under contract by other companies, firms, or individuals, costs incident to the award of such contracts, and the inspection of such work.

(2) "Labor" includes the pay and expenses of employees of the utility engaged in construction work, and related workmen's compensation insurance, payroll taxes and similar items of expense. It does not include the pay and expenses of employees which are distributed to construction through clearing accounts nor the pay and expenses included in other items hereunder.

(3) "Materials and supplies" includes the purchase price at the point of free delivery plus customs duties, excise taxes, the cost of inspection, loading and transportation, the related stores expenses, and the cost of fabricated materials from the utility's shop. In determining the cost of materials and supplies used for construction, proper allowance shall be made for unused materials and supplies, for materials recovered from temporary structures used in performing the work involved, and for discounts allowed and realized in the purchase of materials and supplies.

NOTE: The cost of individual items of equipment of small value (for example, \$500 or less) or of short life, including small portable tools and implements, shall not be charged to utility plant accounts unless the correctness of the accounting therefor is verified by current inventories. The cost shall be charged to the appropriate operating expense or clearing accounts, according to the use of such items, or, if such items are consumed directly in construction work, the cost shall be included as part of the cost of the construction.

(4) "Transportation" includes the cost of transporting employees, materials and supplies, tools, purchased equipment, and other work equipment (when not under own power) to and from points of construction. It includes amounts paid to others as well as the cost of operating the utility's own transportation equipment. (See item 5 following.)

(5) "Special machine service" includes the cost of labor (optional), materials and supplies, depreciation, and other expenses incurred in the maintenance, operation and use of special machines, such as steam shovels, pile drivers, derricks, ditchers, scrapers, material unloaders, and other labor saving machines; also expenditures for rental maintenance and operation of machines of others. It does not include the cost of small tools and other individual items of small value or short life which are included in the cost of materials and supplies. (See item 3, above.) When a particular construction job requires the use for an extended period of time of special machines, transportation or other equipment, the net book cost thereof, less the appraised or salvage value at time of release from the job, shall be included in the cost of construction.

(6) "Shop service" includes the proportion of the expense of the utility's shop department assignable to construction work except that the cost of fabricated materials from the utility's shop shall be included in "materials and supplies."

(7) "Protection" includes the cost of protecting the utility's property from fire or other casualties and the cost of preventing damages to others, or to the property of others, including payments for discovery or extinguishment of fires, cost of apprehending and prosecuting incendiaries, witness fees in relation thereto, amounts paid to municipalities and others for fire protection, and other analogous items of expenditures in connection with construction work.

(8) "Injuries and damages" includes expenditures or losses in connection with the construction work on account of injuries to persons and damages to the property of others; also the cost of investigation of and defense against actions for such injuries and damages. Insurance recovered or recoverable on account of compensation paid for injuries to persons incident to construction shall be credited to the account or accounts to which such compensation is charged. Insurance recovered or recoverable on account of property damages incident to construction shall be credited to the account or accounts charged with the cost of the damages.

(9) "Privileges and permits" includes payments for and expenses incurred in securing temporary privileges, permits or rights in connection with construction work, such as for the use of private or public property, streets, or highways, but it does not include rents, or amounts chargeable as franchises and consents for which see account 302, Franchises and Consents.

(10) "Rents" includes amounts paid for the use of construction quarters and office space occupied by construction forces and amounts properly includible in construction costs for such facilities jointly used.

(11) "Engineering and supervision" includes the portion of the pay and expenses of engineers, surveyors, draftsmen, inspectors, superintendents and their assistants applicable to construction work.

(12) "General administration capitalized" includes the portion of the pay and expenses of the general officers and administrative and general expenses applicable to construction work.

(13) "Engineering services" includes amounts paid to other companies, firms, or individuals engaged by the utility to plan, design, prepare estimates, supervise, inspect, or give general advice and assistance in connection with construction work.

(14) "Insurance" includes premiums paid or amounts provided or reserved as self-insurance for the protection against loss and damages in connection with construction, by fire or other casualty, injury to or death of persons other than employees, damages to property of others, defalcation of employees and agents, and the nonperformance of contractual obligations of others. It does not include workmen's compensation or similar insurance on employees included as "labor" in item 2, above.

(15) "Law expenditures" includes the general law expenditures incurred in connection with construction and the court and legal costs directly related thereto, other than law expenses included in protection, item 7, and in injuries and damages, item 8.

(16) "Taxes" includes taxes on physical property (including land) during the period of construction and other taxes properly includible in construction costs before the facilities become available for service.

(17) "Allowance for funds used during construction" includes the net cost for the period of construction of borrowed funds used for construction purposes and a reasonable rate on other funds when so used, computed as directed by the Commission. No allowance for funds used during construction shall be included in these accounts upon expenditures for construction projects which have been abandoned.

NOTE: When a part only of a plant or project is placed in operation or is completed and ready for service but the construction work as a whole is incomplete, that part of the cost of the property placed in operation, or ready for service, shall be treated as "Utility Plant in Service" and allowance for funds used during construction thereon as a charge to construction shall cease. Allowance for funds used during construction on that part of the cost of the plant which is incomplete may be continued as a charge to construction until such time as it is placed in operation or is ready for service, except as limited in Item 17 above.

(18) "Earnings and expenses during construction" includes (a) all revenues derived during the construction period from property which is included in the cost of a project under construction and (b) all expenses which are attributable to the revenues received.

(19) "Training costs" (Major and non-major natural gas companies). When it is necessary that employees be trained to operate or maintain plant facilities that are being constructed and such facilities are not conventional in nature or are new to the company's operations, these costs may be capitalized as a component of construction cost. Once plant is placed in service, the capitalization of training costs shall cease, and subsequent training costs shall be expensed. (See Operating Expense Instruction 4.)

(20) "Line pack gas." Line pack includes the first cost of that quantity of gas introduced into the utility's system necessary to bring the system up to its designed operating capacity or increases therein and which must be maintained in the system in order to sustain such design operating capacity.

(21) LNG “heel” is the first cost of that minimum quantity of liquefied natural gas necessary to be retained in holding tanks and other facilities for purposes of temperature and/or pressure maintenance.

(22) “Studies” includes the costs of studies such as operational, safety or environmental studies relative to plant under construction. Studies mandated by regulatory bodies relative to facilities in service, shall be charged to Account 183.2, Other Preliminary Survey and Investigation Charges.

B. For Nonmajor natural gas companies, the cost of construction of property chargeable to the gas plant accounts shall include, where applicable, fees for construction certificate applications paid after grant of certificate, the cost of labor, materials and supplies, transportation, work done by others for the company, injuries and damages incurred in construction, privileges and permits, special machine service, allowance for funds used during construction, computed as directed by the Commission; training costs and such portion of general engineering, administrative salaries and expenses, insurance, taxes, and other analogous items as may be properly includible in construction costs. (See Operating Expense Instruction 4.)

4. Overhead construction costs.

A. All overhead construction costs, such as engineering, supervision, general office salaries and expenses, construction engineering and supervision by others than the accounting utility, law expenses, insurance, injuries and damages, relief and pensions, taxes and interest, shall be charged to particular jobs or units on the basis of the amounts of such overheads reasonably applicable thereto, to the end that each job or unit shall bear its equitable proportion of such costs and that the entire cost of the unit, both direct and overhead, shall be deducted from the plant accounts at the time the property is retired.

B. As far as practicable, the determination of payroll charges includible in construction overheads shall be based on time card distributions thereof. Where this procedure is impractical, special studies shall be made periodically of the time of supervisory employees devoted to construction activities to the end that only such overhead costs as have a definite relation to construction shall be capitalized. The addition to direct construction costs of arbitrary percentages or amounts to cover assumed overhead costs is not permitted.

C. For major natural gas companies, the record supporting the entries for overhead construction costs shall be so kept as to show the total amount of each overhead for each year, the nature and amount of each overhead expenditure charged to each construction work order and to each utility plant account, and the basis of distribution of such costs.

5. Gas plant purchased or sold.

A. When gas plant constituting an operating unit or system is acquired by purchase, merger, consolidation, liquidation, or otherwise, after the effective date of this system of accounts, the costs of acquisition, including expenses incidental thereto properly includible in gas plant, shall be charged to account 102, Gas Plant Purchased or Sold.

B. The accounting for the acquisition shall then be completed as follows:

(1) The original cost of plant, estimated if not known, shall be credited to account 102, Gas Plant Purchased or Sold, and concurrently charged to the appropriate gas plant in service accounts and to account 104, Gas Plant Leased to Others, account 105, Gas Plant Held for Future Use, account 105.1, Production Properties Held for Future Use, and account 107, Construction Work in Progress--Gas, as appropriate.

(2) The depreciation, depletion, and amortization applicable to the original cost of the properties purchased, shall be charged to account 102, Gas Plant Purchased or Sold, and concurrently credited to the appropriate account for accumulated provision for depreciation, depletion or amortization.

(3) The cost to the utility of any property includible in account 121, Nonutility Property, shall be transferred thereto.

(4) The amount remaining in account 102, Gas Plant Purchased or Sold, shall then be closed to account 114, Gas Plant Acquisition Adjustments.

C. If property acquired in the purchase of an operating unit or system is in such physical condition when acquired that it is necessary substantially to rehabilitate it in order to bring the property up to the standards of the utility, the cost of such work, except replacements, shall be accounted for as a part of the purchase price of the property.

D. When any property acquired as an operating unit or system includes duplicate or other plant which will be retired by the accounting utility in the reconstruction of the acquired property or its consolidation with previously owned property, the proposed accounting for such property shall be presented to the Commission.

E. In connection with the acquisition of gas plant constituting an operating unit or system, the utility shall procure, if possible, all existing records relating to the property acquired, or certified copies thereof, and shall preserve such records in conformity with regulations or practices governing the preservation of records of its own construction.

F. When gas plant constituting an operating unit or system is sold, conveyed, or transferred to another by sale, merger, consolidation, or otherwise, the book cost of the property sold or transferred to another shall be credited to the appropriate utility plant accounts, including amounts carried in account 114, Gas Plant Acquisition Adjustments. The amounts (estimated if not known) carried with respect thereto in the accounts for accumulated provision for depreciation, depletion, and amortization and in account 252, Customer Advances for Construction, shall be charged to such accounts and the contra entries made to account 102, Gas Plant Purchased or Sold. Unless otherwise ordered by the Commission, the difference, if any, between (a) the net amount of debits and credits and (b) the consideration received for the property (less commissions and other expenses of making the sale) shall be included in account 421.1, Gain on Disposition of Property, or account 421.2, Loss on Disposition of Property. (See account 102, Gas Plant Purchased or Sold.)

NOTE: In cases where existing utilities merge or consolidate because of financial or operating reasons or statutory requirements rather than as a means of transferring title of purchased properties to a new owner, the accounts of the constituent utilities, with the approval

of the Commission, may be combined. In the event original cost has not been determined, the resulting utility shall proceed to determine such cost as outlined herein.

6. Expenditures on leased property.

A. The cost of substantial initial improvements (including repairs, rearrangements, additions, and betterments) made in the course of preparing for utility service property leased for a period of more than one year, and the cost of subsequent substantial additions, replacements, or betterments to such property, shall be charged to the gas plant account appropriate for the class of property leased. If the service life of the improvements is terminable by action of the lease, the cost, less net salvage, of the improvements shall be spread over the life of the lease by charges to account 404.3, Amortization of Other Limited-Term Gas Plant (for non-major companies Account 404, Amortization of Limited-Term Gas Plant). However, if the service life is not terminated by action of the lease but by depreciation proper, the cost of the improvements, less net salvage, shall be accounted for as depreciable plant. The provisions of this paragraph are applicable to property leased under either capital leases or operating leases.

B. If improvements made to property leased for a period of more than one year are of relatively minor cost, or if the lease is for a period of not more than one year, the cost of the improvements shall be charged to the account in which the rent is included, either directly or by amortization thereof.

7. Land and land rights.

A. The accounts for land and land rights shall include the cost of land owned in fee by the utility and rights, interests, and privileges held by the utility in land owned by others, such as leaseholds, easements, rights-of-way, natural gas rights, and other like interests in land. Do not include in the accounts for land and land rights and rights-of-way costs incurred in connection with first clearing and grading of land and rights-of-way and the damage costs associated with the construction and installation of plant. Such costs shall be included in the appropriate plant accounts directly benefited.

B. Where special assessments for public improvements provide for deferred payments, the full amount of the assessments shall be charged to the appropriate land account and the unpaid balance shall be carried in an appropriate liability account. Interest on unpaid balances shall be charged to the appropriate interest account. If any part of the cost of public improvement is included in the general tax levy, the amount thereof shall be charged to the appropriate tax account.

C. The net profit from the sale of timber, cord wood, sand, gravel, other resources or other property acquired with the rights-of-way or other lands shall be credited to the appropriate plant account to which related. Where land is held for a considerable period of time and timber and other natural resources on the land at the time of purchase increases in value, the net profit (after giving effect to the cost of the natural resources) from the sales of timber or its products or other natural resources shall be credited to the appropriate utility operating income account or to account 421, Miscellaneous Nonoperating Income, as appropriate.

D. Separate entries shall be made for the acquisition, transfer, or retirement of each parcel of land, and each land right, or gas right (except rights-of-way for distribution mains), having a life of more than one year. A record shall be maintained showing the nature of ownership, full legal description, area, map reference, purpose for which used, city, county, and tax district in which situated, from whom purchased or to whom sold, payment given or received, other costs, contract date and number, date of recording of deed, and book and page of record. Entries transferring or retiring land or land rights shall refer to the original entry recording its acquisition. In the case of major companies, a parcel of land acquired and carried on the books as a unit is not required to be subdivided with transfers to other land accounts merely because of the erection thereon of an incidental structure to be used in gas operations but for a purpose differing from that for which the land is chiefly employed; for example, a small storehouse on production plant land.

E. Any difference between the amount received from the sale of land or land rights, less agents' commissions and other costs incident to the sale, and the book cost of such land or rights shall be included in Account 421.1, Gain on Disposition of Property or 421.2, Loss on Disposition of Property, as appropriate, unless otherwise directed by the Commission, or unless a reserve therefore has been authorized and provided. Appropriate adjustments of the accounts shall be made with respect to any structures or improvements located on land sold.

F. The cost of buildings and other improvements (other than public improvements) shall not be included in the land accounts. If at the time of acquisition of an interest in land such interest extends to buildings or other improvements (other than public improvements), which are then devoted to utility operations, the land and improvements shall be separately appraised and the cost allocated to land and buildings or improvements on the basis of the appraisals. If the improvements are removed or wrecked without being used in operations, the cost of removing or wrecking shall be charged and the salvage credited to the account in which the cost of the land is recorded.

G. When the purchase of land for gas operations requires the purchase of more land than needed for such purposes, the charge to the specific land account shall be based upon the cost of the land purchased, less the fair market value of that portion of the land which is not to be used in utility operations. The portion of the cost measured by the fair market value of the land not to be used shall be included in account 105, Gas Plant Held for Future Use or, in the case of major companies, account 121, Nonutility Property, as appropriate. Regarding land and land rights held for the production of natural gas, account 101, Gas Plant in Service, shall include (1) the cost of lands owned in fee upon which producing natural gas wells are located on lands owned in fee which are being drained through the operation by the utility of wells on the other land, and (2) the first cost of lands held under lease upon which the utility pays royalties for the natural gas obtained therefrom. The cost of all other land and land rights held for the production of natural gas under a definite plan for such use shall be included in account 105, Gas Plant Held for Future Use, or 105.1, Production Properties Held for Future Use, as appropriate.

NOTE: In addition to the accounting records prescribed herein, supplemental records of land and land rights held for future use shall be kept in such manner as to permit the segregation

within a reasonable time of the land and land rights constituting (1) productive but nonproducing fields, (2) unproven or undeveloped fields, and (3) storage fields, and to show the following data with respect to each natural gas lease, regardless of the accounting treatment accorded the lease costs; (a) name of lessor, (b) location of leasehold and number or other identification assigned thereto, (c) date and period of lease agreement, (d) first cost of lease including details of the elements of such cost, (e) annual rental provisions, (f) date and cost of drilling, (g) date gas determined to exist, (h) date of completion of first well drilled by the utility in each pool of gas, (i) royalty provisions, (j) amortization and depletion provisions, and (k) date of abandonment of lease.

H. Provision shall be made for amortizing amounts carried in the accounts for limited-term interests in land, so as to apportion equitably the cost of each interest over the life thereof. For the purposes of amortization of natural gas rights, separate interests in land which comprise an interest in a production area may be grouped to form a depletion unit. (For major companies, see account 111, Accumulated Provision for Amortization and Depletion of Gas Utility Plant, account 404.1, Amortization and Depletion of Producing Natural Gas Land and Land Rights, account 404.3, Amortization of Other Limited-Term Gas Plant. For non-major companies, see account 403.1, Depreciation and Depletion Expense, Account 110, Accumulated Provision for Depreciation, Depletion and Amortization of Gas Utility Plant. See also Account 797, Abandoned Leases, for the accounting for abandonments of natural gas leases which have never been productive.)

I. The items of cost to be included in the accounts for land and land rights are as follows:

1. Bulkheads, buried, not requiring maintenance or replacement.
2. Cost, first, of acquisition including mortgages and other liens assumed (but not subsequent interest thereon).
3. [Reserved]
4. Condemnation proceedings, including court and counsel costs.
5. Consents and abutting damages, payment for.
6. Conveyancers' and notaries' fees.
7. Fees, commissions, and salaries to brokers, agents, and others in connection with the acquisition of the land or land rights.
8. [Reserved]
9. Leases, cost of voiding upon purchase to secure possession of land.
10. Removing, relocating, or reconstructing, property of others, such as buildings, highways, railroads, bridges, cemeteries, churches, telephone and power lines, etc., in order to acquire quiet possession.
11. Retaining walls unless identified with structures.
12. Special assessments levied by public authorities for public improvements on the basis of benefits for new roads, new bridges, new sewers, new curbing, new pavements, and other public improvements, but not taxes levied to provide for the maintenance of such improvements.
13. Surveys in connection with the acquisition, but not amounts paid for topographical surveys and maps where such costs are attributable to structures or plant equipment erected or to be erected or installed on such land.

14. Taxes assumed, accrued to date of transfer of title.
15. Title, examining, clearing, insuring, and registering in connection with the acquisition and defending against claims relating to the period prior to the acquisition.
16. Appraisals prior to closing title.
17. Cost of dealing with distributees or legatees residing outside of the state or county, such as recording power of attorney, recording will or exemplification of will, recording satisfaction of state tax.
18. Filing satisfaction of mortgage.
19. Documentary stamps.
20. Photographs of property at acquisition.
21. Fees and expenses incurred in the acquisition of water rights, and grants.
22. Cost of fill to extend bulkhead line over land under water, where riparian rights are held, which is not occasioned by the erection of a structure.
23. Sidewalks and curbs constructed by the utility on public property.
24. Labor and expenses in connection with securing rights of way, where performed by company employees and company agents.

8. Structures and improvements.

A. The accounts for structures and improvements shall include the cost of all buildings and facilities to house, support, or safeguard property or persons, including all fixtures permanently attached to and made a part of buildings and which cannot be removed therefrom without cutting into the walls, ceilings, or floors, or without in some way impairing the buildings, and improvements of a permanent character on or to land. Also include those costs incurred in connection with the first clearing and grading of land and rights-of-way, and the damage costs associated with construction and installation of plant.

B. The cost of specially provided foundations not intended to outlast the machinery or apparatus for which provided, and the cost of angle irons, castings, etc., installed at the base of an item of equipment, shall be charged to the same account as the cost of the machinery, apparatus, or equipment.

C. Minor buildings and structures may be considered a part of the facility in connection with which constructed or operated and the cost thereof accounted for accordingly when the nature of the structure and facility indicates the correctness of such accounting.

D. Where furnaces and boilers are used primarily for furnishing steam for some particular department and only incidentally for furnishing steam for heating a building and operating the equipment therein, the entire cost of such furnaces and boilers shall be charged to the appropriate plant account, and no part to the building account.

E. The cost of disposing of materials excavated in connection with construction of structures shall be considered as a part of the cost of such work, except as follows: (a) When such material is used for filling, the cost of loading, hauling, and dumping shall be equitably apportioned between the work in connection with which the removal occurs and the work in connection with which the material is used; (b) when such material is sold, the net amount

realized from such sales shall be credited to the work in connection with which the removal occurs. If the amount realized from the sale of excavated materials exceeds the removal costs and the costs in connection with the sale, the excess shall be credited to the land account in which the site is carried.

F. Lighting or other fixtures temporarily attached to buildings for purposes of display or demonstration shall not be included in the cost of the building but in the appropriate equipment account.

G. The items of cost to be included in the accounts for structures and improvements are as follows:

1. Architects' plans and specifications including supervision.
2. Ash pits (when located within the building) (Major natural gas companies).
3. Athletic field structures and improvements.
4. Boilers, furnaces, piping, wiring, fixtures, and machinery for heating, lighting, signaling, ventilating, and air conditioning systems, plumbing, vacuum cleaning systems, incinerator and smoke pipe, flues, etc.
5. Bulkheads, including dredging, riprap fill, piling, decking, concrete, fenders, etc., when exposed and subject to maintenance and replacement.
6. Chimneys (Major natural gas companies).
7. Coal bins and bunkers.
8. Commissions and fees to brokers, agents, architects and others.
9. Conduit (not to be removed) with its contents.
10. Damages to abutting property during construction.
11. Docks (Major natural gas companies).
12. Door checks and door stops (Major natural gas companies).
13. Drainage and sewerage systems.
14. Elevators, cranes, hoists, etc., and the machinery for operating them.
15. Excavation, including shoring, bracing, bridging, refill, and disposal of excess excavated material, cofferdams around foundation, pumping water from cofferdam during construction, and test borings.
16. Fences and fence curbs (not including protective fences insulating items of equipment, which shall be charged to the appropriate equipment account).
17. Fire protection systems when forming a part of a structure.
18. Flagpole (Major natural gas companies).
19. Floor covering (permanently attached) (Major natural gas companies).
20. Foundations and piers for machinery, constructed as a permanent part of a building or other items listed herein.
21. Grading and clearing when directly occasioned by the building of a structure.
22. Holders--Relief (Major natural gas companies).
23. Intrasite communication system, poles, pole fixtures, wires and cables.
24. Landscaping, lawns, shrubbery, etc.
25. Leases, voiding upon purchase to secure possession of structures.
26. Leased property, expenditures on.
27. Lighting fixtures and outside lighting system.
28. Mailchutes when part of a building (Major natural gas companies).

29. Marquee, permanently attached to building (Major natural gas companies).
30. Painting, first coat.
31. Permanent paving, concrete, brick, flagstone, asphalt, etc. within the property lines.
32. Partitions, including movable (Major natural gas companies).
33. Permits and privileges.
34. Platforms, railings and gratings when constructed as a part of a structure.
35. Power boards for services to a building (Major natural gas companies).
36. Refrigerating systems for general use (Major natural gas companies).
37. Retaining walls except when identified with land.
38. Roadways, railroads, bridges, and trestles, intrasite, except railroads provided for in equipment accounts.
39. Roofs (Major natural gas companies).
40. Scales, connected to and forming a part of a structure (Major natural gas companies).
41. Screens (Major natural gas companies).
42. Sewer systems, for general use (Major natural gas companies).
43. Sidewalks, culverts, curbs and streets constructed by the utility on its property.
44. Sprinkling systems (Major natural gas companies).
45. Sump pumps and pits (Major natural gas companies).
46. Stacks--brick, steel, or concrete, when set on foundation forming part of general foundation and steelwork of a building.
47. Steel inspection during construction (Major natural gas companies).
48. Storage facilities constituting a part of a building.
49. Storm doors and windows (Major natural gas companies).
50. Subways, areaways, and tunnels, directly connected to and forming part of a structure.
51. Tanks, constructed as part of a building or as a distinct structural unit.
52. Temporary heating during construction (net cost) (Major natural gas companies).
53. Temporary water connection during construction (net cost) (Major natural gas companies).
54. Temporary shanties and other facilities used during construction (net cost).
55. Topographical maps (Major natural gas companies).
56. Tunnels, intake and discharge, when constructed as part of a structure, including sluice gates, and those constructed to house mains.
57. Vaults constructed as part of a building.
58. Watchmen's sheds and clock systems (net cost when used during construction only) (Major natural gas companies).
59. Water basins or reservoirs.
60. Water front improvements (Major natural gas companies).
61. Water meters and supply system for a building or for general company purposes (Major natural gas companies).
62. Water supply piping, hydrants and wells (Major natural gas companies).
63. Wharves.
64. Window shades and ventilators (Major natural gas companies).
65. Yard drainage system (Major natural gas companies).
66. Yard lighting system (Major natural gas companies).

67. Yard surfacing, gravel, concrete, or oil (First cost only) (Major natural gas companies).

NOTE: Structures and Improvements accounts shall be credited with the cost of coal bunkers, stacks, foundations, subways, tunnels, etc., the use of which has terminated with the removal of the equipment with which they are associated even though they have not been physically removed.

9. Equipment.

A. The cost of equipment chargeable to the gas plant accounts, unless otherwise indicated in the text of an equipment account, includes the net purchase price thereof, sales taxes, investigation and inspection expenses necessary to such purchase, expenses of transportation when borne by the utility, labor employed, materials and supplies consumed, and expenses incurred by the utility in unloading and placing the equipment in readiness to operate. Also include those costs incurred in connection with the first clearing and grading of land and rights-of-way and the damage costs associated with construction and installation of plant.

B. Exclude from equipment accounts hand and other portable tools which are likely to be lost or stolen or which have relatively small value (for example, \$500 or less) or short life, unless the correctness of the accounting therefore as gas plant is verified by current inventories. Special tools acquired and included in the purchase price of equipment shall be included in the appropriate plant account. Portable drills and similar tool equipment when used in connection with the operation and maintenance of a particular plant or department, such as production, transmission, distribution, etc., or in "stores," shall be charged to the plant account appropriate for their use.

C. The equipment accounts shall include angle irons and similar items which are installed at the base of an item of equipment, but piers and foundations which are designed to be as permanent as the buildings which house the equipment, or which are constructed as a part of the building and which cannot be removed without cutting into the walls, ceilings or floors or without in some way impairing the building, shall be included in the building accounts.

D. The equipment accounts shall include the necessary costs of testing or running a plant or part thereof during an experimental or test period prior to becoming available for service. The utility shall furnish the Commission with full particulars of and justification for any test or experimental run extending beyond a period of thirty days.

E. The cost of efficiency or other tests made subsequent to the date equipment becomes available for service shall be charged to the appropriate expense accounts, except that tests to determine whether equipment meets the specifications and requirements as to efficiency, performance, etc., guaranteed by manufacturers, made after operations have commenced and within the period specified in the agreement or contract of purchase, may be charged to the appropriate gas plant account.

10. Additions and retirements of gas plant.

A. For the purpose of avoiding undue refinement in accounting for additions to and retirements and replacements of gas plant, all property shall be considered as consisting of (1) retirement units and (2) minor items of property. Each utility shall use such list of retirement units as is in use by it at the effective date hereof or as may be prescribed by the Commission, with the option, however, of using smaller units, provided the utility's practice in this respect is consistent.

B. The addition and retirement of retirement units shall be accounted for as follows:

(1) When a retirement unit is added to gas plant, the cost thereof shall be added to the appropriate gas plant account, except that when units are acquired in the acquisition of any gas plant constituting an operating system, they shall be accounted for as provided in gas plant instruction 5.

(2) When a retirement unit is retired from gas plant, with or without replacement, the book cost thereof shall be credited to the gas plant account in which it is included, determined in the manner set forth in paragraph D, below. If the retirement unit is of a depreciable class, the book cost of the unit retired and credited to gas plant shall be charged to the accumulated provision for depreciation applicable to such property. The cost of removal and the salvage shall be charged or credited, as appropriate, to such depreciation account.

C. The addition and retirement of minor items of property shall be accounted for as follows:

(1) When a minor item of property which did not previously exist is added to plant, the cost thereof shall be accounted for in the same manner as for the addition of a retirement unit, as set forth in paragraph B(1), above, if a substantial addition results, otherwise the charge shall be to the appropriate maintenance expense account.

(2) When a minor item of property is retired and not replaced, the book cost thereof shall be credited to the gas plant account in which it is included; and, in the event the minor item is a part of depreciable plant, the account for accumulated provision for depreciation shall be charged with the book cost and cost of removal and credited with the salvage. If, however, the book cost of the minor item retired and not replaced has been or will be accounted for by its inclusion in the retirement unit of which it is a part when such unit is retired, no separate credit to the property account is required when such minor item is retired.

(3) When a minor item of depreciable property is replaced independently of the retirement unit of which it is a part, the cost of replacement shall be charged to the maintenance account appropriate for the item, except that if the replacement effects a substantial betterment (the primary aim of which is to make the property affected more useful, more efficient, or of greater durability, or of greater capacity), the excess cost of the replacement over the estimated cost at current prices of replacing without betterment shall be charged to the appropriate gas plant account.

D. The book cost of gas plant retired shall be the amount at which such property is included in the gas plant accounts, including all components of construction costs. The book cost shall be determined from the utility's records and if this cannot be done, it shall be estimated. Utilities must furnish the particulars of such estimates to the Commission, if requested. When it is impracticable to determine the book cost of each unit, due to the relatively

large number or small cost thereof, an appropriate average book cost of the units, with due allowance for any differences in size and character, shall be used as the book cost of the units retired.

E. The book cost of land retired shall be credited to the appropriate land account. If the land is sold, the difference between the book cost (less any accumulated provision for depreciation, depletion or amortization therefore which has been authorized and provided) and the sale price of the land (less commissions and other expenses of making the sale) shall be recorded in account 421.1, Gain on Disposition of Property or 421.2, Loss on Disposition of Property, as appropriate unless otherwise directed by the Commission. If the land is not used in utility service but is retained by the utility, the book cost shall be charged to account 105, Gas Plant Held for Future Use, or account 121, Nonutility Property as appropriate.

F. The book cost less net salvage of depreciable gas plant retired shall be charged in its entirety to account 108, Accumulated Provision for Depreciation of Gas Plant in Service (Account 110, Accumulated Provision for Depreciation, Depletion and Amortization of Gas Utility Plant, in the case of Nonmajor companies). Any amounts which, by approval or order of the Commission, are charged to account 182, Extraordinary Property Losses, shall be credited to account 108 (account 110 for Nonmajor companies).

G. In the case of Major companies, the accounting for the retirement of amounts included in account 302, Franchises and Consents, and account 303, Miscellaneous Intangible Plant, and the item of limited-term interest in land included in the accounts for land and land rights, shall be as provided for in the text of account 111, Accumulated Provision for Amortization and Depletion of Gas Utility Plant, account 404.3, Amortization of Other Limited-Term Gas Plant, and account 405, Amortization of Other Gas Plant.

11. Work order and property record system required.

A. Each utility shall record all construction and retirements of gas plant by means of work orders or job orders. Separate work orders may be opened for additions to and retirements of gas plant or the retirements may be included with the construction work order, provided, however, that all items relating to the retirements shall be kept separate from those relating to construction and provided, further, that any maintenance costs involved in the work shall likewise be segregated.

B. Each utility shall keep its work order system so as to show the nature of each addition to or retirement of gas plant, the total cost thereof, the source or sources of costs, and the gas plant account or accounts to which charged or credited. Work orders covering jobs of short duration may be cleared monthly.

C. In the case of Major Companies, each utility shall maintain records in which, for each plant account, the amounts of the annual additions and retirements, subsequent to the effective date of this system of accounts, are classified so as to show the number and cost of the various record units or retirement units.

12. Transfers of property.

When property is transferred from one gas plant account to another, from one utility department to another (such as from gas to electric), from one operating division or area to another, to or from account 101, Gas Plant in Service, 104, Gas Plant Leased to Others, 105, Gas Plant Held for Future Use, (105.1, Production Properties held for Future Use, in the case of Major Companies), and 121, Nonutility Property, the transfer shall be recorded by transferring the original cost thereof from the one account, department, or location to the other. Any related amounts carried in the accounts for accumulated provisions for depreciation, depletion, or amortization shall be transferred in accordance with the segregation of such accounts.

NOTE (Major Companies): Amounts included in account 111, Accumulated Provision for Amortization and Depletion of Gas Utility Plant, shall not be related to a particular natural gas lease, and therefore, shall not be transferred under the provisions of this instruction.

13. Common utility plant.

A. If the utility is engaged in more than one utility service such as gas, electric, and water, and any of its utility plant is used in common for several utility services or for other purposes to such an extent and in such manner that it is impracticable to segregate it by utility services currently in the accounts, such property, with the approval of the Commission, may be designated and classified as "common utility plant."

B. The book amount of utility plant designated as common plant shall be included in account 118, Other Utility Plant, and if applicable in part to gas department, shall be segregated and accounted for in subaccounts as gas plant is accounted for in accounts 101 to 107, inclusive, and gas plant adjustments in account 116; any amounts classifiable as common plant acquisition adjustments or common plant adjustments shall be subject to disposition as provided in paragraph C and B of accounts 114 and 116, respectively, for amounts classified in those accounts. The original cost of common utility plant in service shall be classified according to detailed utility plant accounts appropriate for the property.

C. The utility shall be prepared to show at any time and to report to the Commission annually, or more frequently, if required, and by utility plant accounts (301 to 399) the following: (1) The book cost of common utility plant, (2) the allocation of such cost to the respective departments using the common utility plant, and (3) the basis of the allocation.

D. The accumulated provision for depreciation and amortization of the utility shall be segregated so as to show the amount applicable to the property classified as common utility plant.

E. The expenses of operation maintenance, rents, depreciation and amortization of common utility plant shall be recorded in the accounts prescribed herein, but designated as common expenses, and the allocation of such expenses to the departments using the common utility plant shall be supported in such manner as to reflect readily the basis of allocation used.

14. Employee villages and living quarters (Major natural gas companies).

Where employee villages or living quarters are provided for operators and attendants of a functional installation such as a compressor station or gasoline plant, the structures and improvements shall be classified in the related functional structures and improvements account. The furnishings of such residential and recreational facilities shall be classified in the equipment account of the related function.

15. Fees for applications filed with the Commission.

A. Fees for applications involving construction of property shall be accounted for as follows:

(1) All fees paid prior to the final disposition of the certificate application shall be charged to account 186, Miscellaneous Deferred Debits (account 180, Other deferred Debits, in the case of Nonmajor companies).

(2) If the certificate is granted and accepted, the amounts recorded in account 186 shall be cleared to account 107, Construction Work in Progress--Gas, and subsequently cleared to the appropriate plant accounts (the amounts recorded in account 186 shall be cleared to the appropriate plant accounts, in the case of Nonmajor companies).

(3) If the certificate requested is not granted or is not accepted by the applicant, the fees recorded in account 186 (account 180 in the case of Nonmajor companies) shall be cleared to account 928, Regulatory Commission Expenses.

(4) All amounts paid after the Commission has granted the certificate shall be recorded in account 107, Construction Work in Progress--Gas, and subsequently cleared to the appropriate plant accounts.

B. All amounts paid related to certificate applications involving the acquisitions of facilities including those acquired by merger or pooling of interests shall be charged to account 928, Regulatory Commission Expenses.

C. All other fees for applications not involving construction or acquisition of facilities shall be charged to account 928, Regulatory Commission Expenses.

16. Transmission and distribution plant (Nonmajor natural gas companies). For the purposes of this system of accounts:

A. *Transmission system* means the land, structures, mains, valves, meters, boosters, regulators, tanks, compressors and their driving units and appurtenances, and other equipment used primarily for transmitting gas from a production plant, delivery point of purchased gas, gathering system storage area, or other wholesale source of gas, to one or more distribution areas. The transmission system begins at the outlet side of the valve at the connection to the last equipment in a manufactured gas plant, the connection to gathering lines or delivery point of purchased gas, and includes the equipment at such connection that it used to bring the gas to transmission pressure, and ends at the outlet side of the equipment which meters or regulates the entry of gas into the distribution system or into a storage area. It does not include storage, land, structures or equipment. Pipeline companies, including those companies which measure deliveries of gas to their own distribution systems, shall include city gate and main line industrial measuring and regulating stations in the transmission function.

B. *Distribution system* means the mains which are provided primarily for distributing gas within a distribution area, together with land, structures, valves, regulators, services and measuring devices, including the mains for transportation of gas from production plants or points of receipt located within such distribution area to other points therein. The distribution system owned by companies having no transmission facilities connected to such distribution system begins at the inlet side of the distribution system equipment which meters or regulates the entry of gas into the distribution system and ends with and includes property on the customer's premises. For companies which own both transmission and distribution facilities on a continuous line, the distribution system begins at the outlet side of the equipment which meters or regulates the entry of gas into the distribution system and ends with and includes property on the customer's premises. The distribution system does not include storage land, structures, or equipment.

C. *Distribution area* as used herein means a metropolitan area or other urban area comprising one or more adjacent or nearby cities, villages or unincorporated areas, including areas contiguous to main highways.

17. Amortizable Property

A. All references in these USOA to the maintenance of plant account records for the number of record or retirement units, the location or physical inventories thereof are suspended for amortizable equipment.

B. All references in these USOA to the accounting for retirements to reflect mortality experience and percentages of salvage or cost of removal are suspended for amortizable equipment.

C. All references in these USOA to the accounting for net salvage in Account 108, Accumulated Provision for Depreciation of Plant in Service, are suspended for amortizable equipment.

D. The annual amortization expense will be increased/decreased for removal costs and salvage in the year of occurrence.

E. The qualifying equipment will be amortized by a charge to Account 403, Depreciation Expense, and a credit to Account 108, Accumulated Provision for Depreciation, over the fixed amortization time period.

F. When net vintage investment equals zero (fully amortized), the vintage account balance will be retired, by charging the full cost of the vintage investment to the vintage account accumulated depreciation and crediting the full cost to the vintage investment account. Individual retirements will not be recorded.